

## Message Text

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PAGE 01 STATE 305599  
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 COME-00 CIAE-00 INR-07  
NSAE-00 TRSE-00 DODE-00 PM-05 L-03 MC-02 DOE-12  
SOE-01 ACDA-12 /061 R

DRAFTED BY EB/ITP/EWT:BRFURNESS:ABA  
APPROVED BY EB/ITP/EWT:WAROOT  
EA/PRCM - GFOX  
EA/PRCM - HETTHAYER  
EB/ITP/EWT-AREICHENBACH (SUBS)  
COMMERCE/OEA - RSPRUELL (SUBS)  
EA/J - EFEATHERSTONE (SUBS)  
-----000074 230746Z /20  
R 230011Z DEC 77  
FM SECSTATE WASHDC  
TO USLO PEKING  
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 305599

E.O. 11652: GDS

TAGS: ESTC, CH, US

SUBJECT: IBM COMPUTER FOR THE SHENYANG BLOWER WORKS

REF: PEKING 2948

FYI:

1. INTERAGENCY AGREEMENT HAS BEEN REACHED TO APPROVE THE  
U.S. LICENSE FOR THE EXPORT OF AN IBM 370/138 COMPUTER FOR  
SHENYANG BLOWER WORKS, SUBJECT INTER ALIA TO NOTE 12 CON-  
DITIONS CALLING FOR SIX YEAR VISITATION AND REPORTING  
REQUIREMENTS. DEPARTMENT OF COMMERCE LICENSING OFFICIALS  
HAVE INFORMALLY ADVISED IBM OF COCOM NOTE 12 CONDITIONS  
AND ARE AWAITING IBM'S REPLY AND/OR COUNTERPROPOSAL  
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PRIOR TO PROCEEDING WITH FORMAL APPROVAL. IBM'S MAJOR  
CONCERN IS THAT THE CHINESE WILL DECLINE TO GUARANTEE  
ACCESS FOR THE SIX YEARS WHICH IBM MUST HAVE BEFORE IT CAN  
FULFILL LICENSE REQUIREMENTS. IBM IS EXPECTED TO PROPOSE  
TWO-YEAR VISITATION AND REPORTING (PERHAPS THROUGH THE USE  
OF RESIDENT IBM TECHNICIANS) WHICH IT IS CONFIDENT OF  
OBTAINING FROM THE CHINESE. IT IS DOUBTFUL THAT THIS WOULD

BE ACCEPTABLE TO USG AGENCIES. IF THE USG AND IBM REACH AGREEMENT ON TERMS, THE CASE WOULD BE SUBMITTED TO COCOM FOR REVIEW.

2. RE HITACHI COMPUTER FOR CHINESE CENTRAL METEOROLOGICAL AGENCY, USG HAS INFORMED JAPAN THAT THE REVISED TECHNICAL CONFIGURATION IS ACCEPTABLE. DETAILS CONCERNING VISITATION AND REPORTING REQUIREMENTS OVER A SIX-YEAR PERIOD ARE NOW BEING WORKED OUT; HITACHI PERSONNEL WILL BE ON SITE FOR THREE YEARS AND THE FIRM HAS INDICATED THAT IT WILL BE ABLE TO COMPLY WITH THE REQUIREMENT FOR QUARTERLY VISITATION AND REPORTING DURING THE REMAINDER OF THE SIX-YEAR PERIOD.

3. IBM'S CONTENTION THAT THE PRC IS UNWILLING TO PROVIDE FOR SIX-YEARS' ACCESS HAS BEEN UNDERCUT BY THE ABILITY OF SIEMENS (FOR ITS RECENT COMPUTER SALE) AND HITACHI TO DEVISE ARRANGEMENTS FOR VISITATION AND REPORTING FOR SIX-YEAR PERIODS. USG REMAINS WILLING TO BE FORTHCOMING AND EXPEDITIOUS IN HANDLING PRC LICENSING CASES; HOWEVER, WE DO REQUIRE CHINESE UNDERSTANDING OF AND COMPLIANCE WITH US AND COCOM SAFEGUARDS ON STRATEGIC TRADE, WHICH HAVE BEEN ACCEPTED BY ALL OTHER COUNTRIES TO WHICH THEY APPLY. USLO'S APPROACH TO MACHIMPEX ON LITTON DID NOT LEAD TO THE HOPED-FOR GENERALIZED DISCUSSION OF THE SAFEGUARDS QUESTION, BUT MACHIMPEX DID APPEAR TO BE RESPONSIVE

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TO LITTON'S REQUIREMENTS TO MEET SAFEGUARDS (TWO YEARS VISITATION AND REPORTING) LEVIED BY US LICENSING AUTHORITIES. WE ARE CONCERNED THAT IBM NOT REPEAT NOT BE DISADVANTAGED IN DEALING WITH THE PRC ON THE SAFEGUARDS ISSUE. WE PREFER, HOWEVER, THAT COMPANIES ASSUME BURDEN OF NEGOTIATING SPECIFIC CONTRACT CONDITIONS.

4. IBM ADVISED US DECEMBER 19 THAT CONTRACT HAS BEEN SIGNED WITH PRC. IOM REP DID NOT GO INTO DETAILS. END FYI.

5. FOR TOKYO: YOU MAY WISH TO COMMENT ON MATTERS RAISED PARA (5) REFTEL, BEING REPEATED FOR YOUR INFO. VANCE

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NNN



## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**TAGS:** ESTC, CH, US  
**To:** PEKING  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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EO Systematic Review  
22 May 2009  
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